Produce Investments plc

UNAUDITED INTERIM REPORT

For the 26 weeks ended 24 December 2016

Produce Investments plc

New strategy in place and positive outlook for the second half

Produce Investments plc, (AIM:PIL) ("Produce," "Company" or the "Group"), a leading operator in the fresh potato and daffodil sectors, announces its interim results for the 26 weeks to 24 December 2016.

Key Operational Points:

- Board significantly strengthened with appointment of new Chairman, Group Finance Director and Non-Executive directors
- New "Acquire, Develop, Manage the Portfolio" strategy for future growth formulated and ready for implementation
- Increased business and improved long term visibility on volumes and margins secured with key customers from 2017/2018
- New ERP (Enterprise Resource Planning) system installed

Key Financial Points

- Revenue £79.3m, up 1.0% (2015: £78.5m)
- Operating profit £0.2m (2015: £3.4m) as result mainly of lag in raw material price recovery, and costs associated with the new ERP system
- Exceptional non-cash write-offs of £1.0m following review of interim accounts
- Interim dividend increased by 2% to 2.44p (2015: 2.39p) per share
- Net debt £29.1m (2015: £22.8m)

Neil Davidson, Chairman, commented:

"First half trading profits have been significantly depressed by delays in the recovery of unseasonably high ex-farm potato prices, and by costs associated with the implementation of our new ERP system.

"In addition, in order to ensure that all balances transferred into the new ERP system were correct, the Directors commissioned a full review of the interim accounts. As a result of this work a number of non-cash write-downs totalling £1.0m have been taken in the first half.

"Current trading is well ahead of last year as we begin to recover raw material cost increases through our pricing arrangements with key customers. The year-end trading result will depend on that rate of price recovery, the outcome of the daffodil season, now in full swing, and the Jersey Royals new potato season which is only just beginning. While we believe that underlying trading profit for the year is likely to be broadly in line with the Board's original expectations, full year profit before tax will be lower than these expectations as a result of the non-cash write-offs.

"We now know the outcome of a number of retailer supplier reviews and have secured additional business going into next year, which also gives us good visibility on likely volumes for the next three years. This, in turn, will improve efficiencies at our two fresh potato sites at Duns and Floods Ferry, following our three into two factory rationalisation last year. We will also derive significant efficiency benefits from ERP implementation.

"We are pleased to announce a 2% increase in the interim dividend to underline our confidence in the financial strength, management capability and future prospects of the Group."

"The strengthened and restructured board has identified a new "Acquire, Develop, Manage the Portfolio" strategy for Produce Investments which will make the most of our collective experience in turning around and developing profitable food businesses. We have appointed new advisers as a result and we look forward to pursuing this to generate significant incremental value for our shareholders as suitable acquisition opportunities arise."

-End-

For further information contact:

Produce Investments plc
Jonathan Lamont 01890 819503

Numis Securities Limited (Nomad)
Oliver Cardigan / Tom Ballard 020 7260 1000

Powerscourt
Nick Dibden / Samantha Trillwood 020 7250 1446
produce@powerscourt-group.com

Notes to Editors

The Group is a vertically integrated company supplying blue chip retail customers with potatoes and daffodils.
Website: www.produceinvestments.co.uk

Financial review

Revenue in the first six months increased by 1.0% to £79.3m, compared to £78.5m for the comparative period last year, driven predominantly by higher raw material prices. Volumes were more than 5% lower than in the comparative period last year, as anticipated under the terms of a new long term contract with one of our key retail customers. However, cost prices were considerably higher than we had expected as a result of the lowest yielding potato crop in recent UK history, which drove an increase in our cost of sales from £51.7m to £53.8m. Administrative and other costs also increased, from £23.4m to £25.3m, principally as the result of a longer than expected implementation process for our new ERP system, which will deliver efficiency gains in the coming financial year. This resulted in an operating profit before interest, tax and exceptional items of £0.2m from £3.4m last year, resulting in an operating margin of 0.3% compared to 4.4% profit margin in the comparative period last year.

In order to ensure that all balances transferred into the new ERP system were correct, the Directors commissioned a full review of the interim accounts. As a result of this work a number of non-cash exceptional write-downs totalling £1m have been taken in the first half. These comprise exceptional charges of £547,000 relating to suspense accounts, and fixed asset impairment charges of £460,000.

In addition a charge of £330,000 has been taken relating to share options against trading profit. A further non-cash charge of £420,000 relating to the treatment of biological assets will be taken in the second half.

As a result of these exceptional charges the loss before tax for the half year is (£1.0m) (2015: loss (£0.2m)) and basic earnings per share are (3.21) pence per share (2015: (0.79) pence per share).

Net debt increased to £29.1m (2015: £22.8m) driven primarily by the higher prices paid for our raw materials and the lag in recovering these in retail pricing. However, the Group remains highly cash generative and net debt for the full year is expected to be lower than last year as stock levels reduce.

Dividends

The Board has approved a 2% increase to the interim dividend to 2.44 pence per share (2015: 2.39 pence per share) in the light of improved trading in the second half and our confidence in the financial strength and future strategy and prospects of the Group. This will be paid on 21 April 2017 to shareholders on the register at close of business on 7 April 2017. The shares will trade ex-dividend on 6 April 2017.

Operational review

We continue our work to align our capacity and costs with forecast sales. In a market that has been less stable than in previous years as a result of lower crop yields and higher pricing, we have taken steps to remove excess capacity in our Fresh Potato business, and invested to strengthen our operational team. Additional retail volumes on longer term contacts have been secured by investment in margin and by adopting a more collaborative style of supply chain management, a strategy that positions the business well for the future.

Planting of Jersey Royals for the coming season is progressing well and is nearly complete. Commercial programmes have been finalised with our customers and we are confident of achieving an improved result in 2017 compared to that of 2016.

Sales of Daffodils in January and February were in line with forecast and, with Easter arriving later this year, we remain optimistic on the outcome for the flower business over the financial year as a whole. Additional retail business wins have helped improve the sales mix of the daffodil crop compared with prior years.

Swancote Foods, our processing business, has benefited from new site management and a greater focus on processes and efficiencies, which are helping us to expand its customer base, and we are pleased to report the award of a new long term contract since the beginning of the second half.

Looking ahead, early indications point to an increase in the planted area of potatoes for the 2017 season as many growers seek to capitalise on the recent strength of prices. With additional business secured, and good visibility on our volumes and margins for the next three years, we are seeking to secure more contracted crop to ensure greater stability in the market.

Principal risks and uncertainties

The Group set out in its 2016 Annual Report and Financial Statements the principal risks and uncertainties that could have an impact on its performance. These remain largely unchanged since the Annual report was published with the main areas of potential risk and uncertainty being the threat from competition and any disruption to the supply and as seen this year, the quality of potatoes.

The Board

The Board was comprehensively restructured during the first half of the year. At the Company's AGM on 28 October 2016 Neil Davidson succeeded Barrie Clapham as Chairman and Sean Christie and Liz Kynoch joined the Board as Non-Executive Directors, while the former Non-Executive Directors Derek Porter, Michael Jankowski and Tony Bambridge all retired from the Board. Brian Macdonald, formerly Group Finance Director, stood down from the Board on 31 December 2016 and was replaced by Jonathan Lamont. The Group now has a Board that is well equipped to guide it through a new phase of strategic development, in which it will be able to draw on its members' in-depth knowledge of both food manufacturing and food retailing in the UK, as well as their wider business experience.

Advisers

The Company appointed Numis Securities Limited as its Nominated Adviser and sole Broker on 17 February 2017, and Hogan Lovells as its legal adviser.

Future strategy

The Board believes that there is a clear opportunity to bring the proven investment model of "Acquire, Develop, Manage the Portfolio" to the food sector. We have observed and understand the strength, simplicity and success of this model, and the Group Board and management team have an excellent track record of value creation across a diverse range of businesses and subsectors. The existing Produce business provides a strong platform for further development, as an established brand leader in potatoes through Greenvale and Jersey Royals, and a supplier to most of the UK's leading retailers. It also has a record of increasing market share through both organic growth and acquisitions since it was established in 2006.

We believe that there are still many companies in the food sectors with scope for material improvement, and that we have the skills and experience needed to deliver an "Acquire, Develop, Manage the Portfolio" strategy across the diverse cultures and ownership structures within the industry. Produce Investments is clearly differentiated from other players that may compete for these assets and will pursue a conservative financing approach that will allow us to fund appropriate capital investment and / or bolt-on mergers and acquisitions to create value. We believe that these distinctive characteristics will make us an attractive and nimble acquirer of assets and businesses from private vendors, corporates and private equity houses alike.

Our criteria for the three strands of our future strategy are as follows:

Acquire. We are looking to acquire businesses with a broad base of customers and distribution channels, long term retailer relationships or agreements, strong management teams and well invested assets, that are operating in growing markets or categories and have the potential to generate strong cash flows. We will also consider opportunistic acquisitions of undervalued operations. Our initial targets will be UK-headquartered private or public businesses with enterprise values up to £500m, operating in the food sectors, both branded and unbranded, whether selling through retailers or other routes to market. We believe that there are many potential acquisition opportunities that meet these criteria, including non-core subsidiaries, "stranded" private equity-owned assets, and private family businesses. Our financing will be prudently structured, targeting leverage of 2.0x net debt to EBITDA.

Develop. We will create value for our shareholders by improving the quality, scale and / or scope of the businesses we acquire, with a focus on driving sustainable returns and a relentless pursuit of quality that may mean we shrink to grow the quality of a business rather than pursuing size for size's sake. Our financial model will ensure that we have significant capacity to invest in our businesses to drive returns, whether through capital expenditure or complementary acquisitions.

Trade the Portfolio. We will manage our business portfolio to maximise shareholder value, holding assets while they are in the "Develop" phase and retaining those that offer attractive high returns, and are generating robust margins and strong cash flows. However, we will be open minded to the divestment of all assets where we can see opportunities to take advantage of cyclical dynamics or of opportunistic purchasers. There will be an acute focus on the generation of value for our shareholders, which we aim to achieve through both a progressive regular dividend policy and through special returns of disposal proceeds and / or surplus cash.

Outlook

Current trading is well ahead of last year as we begin to recover higher raw material costs through our pricing arrangements with key customers. The year-end result will depend on that rate of price recovery, the outcome of the daffodil season, now in full swing, and the Jersey Royals new potato season which is only just beginning. Underlying trading profit for the year is broadly in line with the Board's original expectations, however full year profit before tax will be lower than these expectations as a result of the non-cash write-offs.

We now know the outcome of a number of retailer supplier reviews and have secured additional business going into next year, which also gives us good visibility on likely volumes for the next three years. This, in turn, will improve efficiencies at our two fresh potato sites at Duns and Floods Ferry, following our three into two factory rationalisation last year. We will also derive significant efficiency benefits from ERP implementation.

The Group continues to be cash generative and remains committed to its long term strategy of widening both its product and customer base within its established produce operations. The strengthened and restructured board has identified a new strategy for Produce Investments which will make the most of our collective experience in turning around and developing profitable food businesses, and we look forward to pursuing this to generate significant incremental value for our shareholders as opportunities for appropriate and timely acquisitions arise.

Neil Davidson	Angus Armstrong
Chairman	**Chief Executive**

23.03.2017

CONSOLIDATED CONDENSED INCOME STATEMENT (UNAUDITED)

For the 26 weeks ended 24 December 2016

	Notes	**2016 £'000**	**2015 £'000**
CONTINUING OPERATIONS			
Revenue	*4*	79,333	78,531
Cost of sales		(53,812)	(51,656)
Gross profit		25,521	26,875
Administrative and other operating expenses		(25,278)	(23,441)
Operating (loss) / profit, before interest and exceptional items		243	3,434
Exceptional Items	*4*	(1007)	(3,248)
Finance costs		(232)	(384)
(Loss) before tax		(996)	(198)
Income tax credit	*6*	200	40
(Loss) after tax		(796)	(158)
Attributable to:			
Equity holders of the parent		(862)	(211)
Non- controlling interests		66	53
		(796)	(158)
Basic earnings per share	*5*	(3.21) pence	(0.79) pence
Diluted earnings per share	*5*	(3.21) pence	(0.79) pence

Produce Investments plc

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the 26 weeks ended 24 December 2016

	2016 £'000	2015 £'000
(Loss) for the period	(796)	(158)
Total comprehensive income for the period, net of tax	(796)	(158)
Attributable to:		
Equity holders of the parent	(862)	(211)
Non- controlling interests	66	53
	(796)	(158)

Produce Investments plc

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 24 December 2016

	Notes	**2016 £'000**	**2015 £'000**
ASSETS			
Non-current assets			
Property, plant and equipment	*8*	33,921	36,578
Intangible assets		15,873	16,356
Investment in an associate		707	250
Deferred tax assets		1,518	1,533
		52,019	54,717
Current assets			
Inventories		19,835	16,849
Biological assets		20,914	17,061
Trade and other receivables		26,902	21,871
Prepayments		3,034	2,630
Cash and short-term deposits	*11*	381	927
Asset held for resale		1,250	-
		72,316	59,338
Total assets		124,335	114,055
EQUITY AND LIABILITIES			
Equity			
Equity share capital	*9*	21,989	21,928
Other capital reserves		10,228	10,228
Retained earnings		16,717	17,364
Equity attributable to equity holders of the parent		48,934	49,520
Non-controlling interests		596	505
Total equity		49,530	50,025
Non-current liabilities			
Interest-bearing loans and borrowings	*11*	10,000	5,500
Other non-current financial liabilities		395	1,517
Deferred revenue		108	65
Pensions and other post employment benefit obligations	*12*	6,992	5,805
Deferred tax liability		3,943	5,542
		21,438	18,429
Current liabilities			
Trade and other payables		33,557	27,008
Interest-bearing loans and borrowings	*11*	19,441	18,221
Deferred revenue		100	70
Income tax payable		269	302
		53,367	45,601
Total liabilities		74,805	64,030
Total equity and liabilities		124,335	114,055

Produce Investments plc

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the 26 weeks ended 24 December 2016

	Equity Share capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 25 June 2016	21,938	10,228	18,559	50,725	530	51,255
Profit and total comprehensive income for the period	-	-	(862)	(862)	66	(796)
Equity dividends paid	-	-	(1,310)	(1,310)	-	(1,310)
Share issue	51	-	-	51	-	51
Share based payment transactions	-	-	330	330	-	330
As at 24 December 2016	21,989	10,228	16,717	48,934	596	49,530

	Equity Share capital	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
As at 27 June 2015	21,865	10,228	18,855	50,948	452	51,400
Profit and total comprehensive income for the period	-	-	(211)	(211)	53	(158)
Equity dividends paid	-	-	(1,280)	(1,280)	-	(1,280)
Share issue	63	-	-	63	-	63
Share-based payment transactions	-	-	-	-	-	-
As at 26 December 2015	21,928	10,228	17,364	49,520	505	50,025

Produce Investments plc

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (UNAUDITED)

For the 26 weeks ended 24 December 2016

	Note	2016 £'000	2015 £'000
Operating activities			
(Loss) before tax from continuing operations		(996)	(198)
Adjustments to reconcile profit before tax for the period to net cash inflow from operating activities			
Depreciation and amortisation		2,443	2,269
Impairment		460	1,865
Loss on disposal of property plant and equipment		-	30
Share-based payment transaction expense		330	-
Finance costs		238	384
Difference between pension contributions paid and amounts recognised in the income statement		(276)	(258)
Working capital adjustments:			
Decrease in trade and other receivables and prepayments		2,142	6,016
Increase in inventories		(12,096)	(6,848)
(Decrease)/increase in trade and other payables		2,171	(1,735)
(Decrease) in deferred revenue		50	(90)
Income tax (paid)		(700)	(548)
Net cash inflows arising from operating activities		(6,234)	887
Investing activities			
Purchase of property, plant and equipment	*8*	(3,200)	(1,667)
Purchase of Intangible assets		-	(11)
Net cash outflows arising from investing activities		(3,200)	(1,678)
Financing activities			
Dividends paid to equity shareholders of		(1,310)	(1,280)
parent		51	63
Proceeds from share issues			
Drawdown of bank borrowings		7,820	557
New loans arranged in period		2,750	-
Interest paid		(238)	(384)
Net cash outflows arising from financing activities		9,073	(1,044)
Net (decrease) in cash and cash equivalents		(361)	(1,835)
Cash and cash equivalents at beginning of period		742	2,762
Cash and cash equivalents at end of period		381	927

1. General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Produce Investments plc, Greenvale AP, Floods Ferry Road, Doddington, March, Cambridgeshire, PE15 0UW. The Company is listed on the London Stock Exchange AIM market.

The condensed consolidated interim financial statements of the Group were approved for issue on 22 March 2017. These interim financial results do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 52 weeks ended 25 June 2016 were approved by the Board of Directors on 29 September 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

The condensed consolidated interim financial statements for the 26 weeks ended 24 December 2016 have been prepared on the same basis and using the same accounting policies of the Group from the year ended 25 June 2016. These consolidated interim financial statements have not been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information required for full annual financial information and should be read in conjunction with the annual financial statements for the year ended June 2016 which have been prepared in accordance with IFRS as adopted by the EU.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are discussed in the Operating and Financial Review. The Group net debt position is highlighted in note 11 of the condensed consolidated interim financial statements. The interim information contained in these condensed interim financial statements is unaudited. The Directors report that having reviewed current performance and forecast they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

3. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the period ended 25 June 2016, as described in those annual financial statements.

There has been no impact on the Group's financial position or performance from new and amended IFRS and IFRIC interpretations mandatory as of 25 June 2016.

4. Operating segment information

Management have determined the operating segments based on the reports utilised by the directors that are used to make strategic decisions. These are split as follows:

- Fresh
- Processing
- Other

Fresh comprises the sites, staff and assets that grow, source, pack and deliver fresh potatoes to customers, ranging from large retailers, wholesalers to small private businesses. As an element of raw material is not suitable for this purpose it also includes any supplementary sales achieved. Also included under the fresh segment are the operational activities of Rowe Farming. These cover the growing, packing and selling of both early season fresh potatoes and daffodil flowers and bulbs. Jersey Royal potato activity is also included in the fresh segment.

Processing comprises the staff and assets that supply pre-prepared potato products which are ultimately sold as ingredients for food manufacturers.

Other comprises seed sales for both the UK and export, traded volume where Greenvale acts as an intermediary between the farmer and the end customer taking a small margin to cover costs, and all sales activities of Restrain Company Limited, a 70% owned subsidiary that provides ethylene based storage solutions for potatoes and onions. No element within ‘other’ is large enough to require additional segmentation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Inventory procurement, receivables and payables are managed centrally and as a result assets and liabilities are managed at Group level. Consequently, no segmental analysis of these items is presented.

4. Operating segment information (continued)

26 weeks ended 26 December 2015

	Fresh	Processing	Other	Total
	£'000	**£'000**	**£'000**	**£'000**
Revenue	63,045	2,256	13,230	78,531
Depreciation and amortisation	(1,638)	(385)	(246)	(2,269)
Loss on disposal of fixed assets	(30)	-	-	(30)
Other operating costs	(57,531)	(2,378)	(12,889)	(72,798)
Operating profit / (loss)	**3,846**	**(507)**	**95**	**3,434**
Costs not allocated:				
Exceptional Items				(3,248)
Finance costs				(384)
Loss before tax				**(198)**
Capital expenditure	(687)	(338)	(642)	(1,667)
Development costs	-	-	(11)	(11)

26 weeks ended 24 December 2016

	Fresh	Processing	Other	Total
	£'000	**£'000**	**£'000**	**£'000**
Revenue	62,631	2,945	13,757	79,333
Depreciation and amortisation	(1,923)	(266)	(254)	(2,443)
Other operating costs	(60,421)	(3,434)	(12,792)	(76,647)
Operating profit/(loss)	**287**	**(755)**	**711**	**243**
Costs not allocated:				
Exceptional items				(1,007)
Finance costs				(232)
Profit before tax				**(996)**
Capital expenditure	(2,315)	(190)	(695)	(3,200)
Development costs	-	-	-	-

The accounting policies for the segments are the same as those described in the summary of significant accounting policies. The revenues and operating profit / (loss) per reportable segment agree in aggregate to the consolidated totals per the interim financial statements.

The Exceptional Items relate to the write off of old intercompany balances and the impairment of assets at our operating sites.

4. Operating segment information (continued)

Segmentation of Assets and liabilities

Investments in associates are not segmented. Such items are managed at board level and are not integral to the operations of any of the Group segments.

Other non current financial assets and liabilities are not segmented. Such items are managed at board level with the support of the Group central services team. These items are not integral to the operations of any of the Group segments.

No segmentation is presented in respect of receivables, payables and cash. The Group central services team manages Group treasury, cashflow, payables and receivables independently from the operating segments.

Taxation matters are managed by the Group central services team and are not segmented.

Inventories and biological assets are managed centrally by the Group procurement team. Inventories are usually stored at a Group location most appropriate for the supplier to deliver the goods to, usually the closest geographical location to the supplier. The inventories are then used in the delivery of goods and services to all segments within the Group.

The Group central services team coordinates prepayments, accruals and provisions and these are not segmented.

The deferred revenue is managed by the central services team. All deferred revenue relates to the 'other' segment.

Intangible assets

	2016 £'000	**2015 £'000**
Fresh	7,280	7,286
Processing	8,457	8,982
Other	136	88
Total	**15,873**	**16,356**

Property, plant and equipment analysis

	2016 £'000	**2015 £'000**
Fresh	21,678	25,299
Processing	2,123	2,525
Other	4,900	3,174
Unallocated	5,220	5,580
Total	**33,921**	**36,578**

The amounts for items which are not segmented are disclosed in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Operating segment information (continued)

Geographical information

Revenues from external customers

	2016 £'000	2015 £'000
UK	75,361	74,636
Other EU countries	1,322	1,451
Rest of the world	2,650	2,444
Total revenue per consolidated income statement	79,333	78,531

The revenue information above is based on the location of the customer.

5. Earnings per share

	2016	2015
Profit / (loss) attributable to equity shareholders (£'000)	(862)	(211)
Number of ordinary shares for basic eps calculation	26,876,357	26,788,181
Number of options with dilutive effect	813,340	1,279,683
Total number of shares for fully diluted eps calculation	27,689,697	28,068,044
Basic earnings per share – pence	(3.21)	(0.79)
Diluted earnings per share – pence	(3.21)	(0.79)

For details relating to the changes in share options and issued equity, please refer to the notes below.

6. Taxation

Tax in these interim statements has been computed at 19.75%, which is the anticipated effective tax rate for the year ended 24 June 2017.

7. Dividends

	2016 £000	2015 £000
Dividends paid in period	1,310	1,280

In the 26 week period ended 24 December 2016, the directors paid a final dividend of 4.88 pence per share on 1 November 2016. The total cash outflow was £1,310,000.

On 22 March 2017, the Board approved an interim dividend for the period ended 24 December 2016 of 2.44p per share. This dividend has not been included as a liability as at 24 December 2016, in accordance with IAS 10 ‘Events after the balance sheet date’.

8. Property Plant and equipment

During the 26 weeks ended 24 December 2016, the Group acquired assets with a cost of £3,200,000 (2015: £1,667,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 24 December 2016

9. Issued capital and reserves

	Number of ordinary shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
As at 25 June 2016 (audited)	26,851	268	21,670	21,938
Issued in period	69	1	50	51
As at 24 December 2016	**26,920**	**269**	**21,720**	**21,989**
As at 28 June 2015 (audited)	26,753	267	21,598	21,865
Issued in period	85	1	62	63
As at 27 December 2015	**26,838**	**268**	**21,660**	**21,928**

Between 25 June 2016 and 24 December 2016, 68,445 ordinary shares were issued to various individuals as a result of the exercise of share options. The gross proceeds of additional share issues were £51,000 and these proceeds are included within share capital

At 24 December 2016 there were 26,919,707 ordinary shares in issue.

Between 28 June 2015 and 26 December 2015, 84,937 ordinary shares were issued to various individuals as a result of the exercise of share options. The gross proceeds of additional share issues were £63,000 and these proceeds are included within share capital.

At 26 December 2015 there were 26,837,918 ordinary shares in issue.

All shares carry equal voting rights.

10. Employee share options

No charges have been recorded in respect of employee share options that were in existence as at 25 June 2016. These interim statements should therefore be read in conjunction with the full year audited financial statements of the Group, which include full IFRS 2 disclosures.

In the 26 weeks ended 24 December 2016, the Group has recognised a charge to income of £330,000 (2015 : £nil) in respect of executive share options granted during the period.

11. Net debt and cash equivalents

Reconciliation of net debt between 26 June 2016 and 24 December 2016

	26 June 2016	Cash flow	Non cash	24 December 2016
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	742	(361)	-	381
Loans	(18,871)	(10,570)	-	(29,441)
	(18,129)	**(10,931)**	**-**	**(29,060)**

Reconciliation of net debt between 28 June 2015 and 26 December 2015

	28 June 2015	Cash flow	Non cash	26 December 2015
	£'000	**£'000**	**£'000**	**£'000**
Cash and cash equivalents	2,762	(1,835)	-	927
Loans	(23,480)	(241)	-	(23,721)
	(20,718)	**(2,076)**	**-**	**(22,794)**

Reconciliation to statement of financial position

	24 December 2016	26 December 2015	25 June 2016	27 June 2015
	£'000	**£'000**	**£'000**	**£'000**
Cash and short term deposits	381	927	742	2,762
Non current interest bearing loans and borrowings	(10,000)	(5,500)	-	(7,000)
Current interest bearing loans and borrowings	(19,441)	(18,221)	(18,871)	(16,480)
	(29,060)	**(22,794)**	**(18,129)**	**(20,718)**

The current interest bearing loans and borrowings includes £14,899,000 (2015: £8,409,000) relating to an Invoice Finance facility secured on the sales ledgers of Greenvale AP Ltd and Rowe Farming Ltd, both of which are subject to a six month notice period. Also included is an overdraft facility of £nil (2015: £1,753,000), repayable on demand.

12. Pensions

The Group operates a defined benefit pension scheme which is closed to new members and no longer accrues benefits to existing member employees.

There were no changes to the members, their accrued future benefits or the scheme funding arrangements at any time between 25 June 2016 and 24 December 2016. Group management therefore regard the key assumptions, in the medium to long term, as unchanged. Given the highly volatile nature of inflation rates and asset markets in the short term, management conclude that computing an interim valuation on an IAS 19 basis at either 24 December 2016 or 26 December 2015 would not provide significant additional benefit to the reader. Consequently, no actuarial valuation at either interim date has been performed.

The movement in the pension liability between June 2016 and December 2016 represents cash contributions made by the Group in the period. These interim statements should therefore be read in conjunction with the full year audited financial statements of the Group, which include full IAS 19 disclosures.